

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15

DRC-01 /118 W

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R 132356Z MAY 74

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 1624

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E.O. 11652 N/A

TAGS: EFIN, MX

SUBJECT: CENTRAL BANK APPROVES INTEREST RATE INCREASE

1. BANCO DE MEXICO (CENTRAL BANK) APPROVED EFFECTIVE MAY 13 INCREASES FOR FROM ONE-HALF OF ONE PERCENT TO ONE AND A HALF PERCENT ON CERTAIN TIME DEPOSITS, CDS, AND PROMISSORY NOTES.
2. THREE-MONTH DEPOSITS OF LESS THAN ONE MILLION PESOS (80,000 DOLLARS) WILL EARN 9.5 PERCENT (FORMERLY 9 PERCENT); SIX MONTH DEPOSITS OF LESS THAN A MILLION PESOS WILL RECEIVE 10 PERCENT (9.5); TIME DEPOSITS OF ONE YEAR OR MORE OF LESS THAN ONE MILLION PESOS WILL RECEIVE 10.5 PERCENT (10).
3. ON DEPOSITS, CDS, AND OTHER FIXED INTEREST RATE SECURITIES OF MORE THAN ONE MILLION PESOS, INTEREST RATES WILL BE INCREASED AS FOLLOWS: THREE MONTHS, 11 PERCENT (9.5); SIX MONTHS, 11.5 PERCENT (10); AND ONE YEAR OR MORE, 12 PERCENT (10.5). INSTITUTIONS AFFECTED INCLUDE COMMERCIAL BANKS, MORTGAGE BANKS, AND FINANCIERAS.
4. COMMENT: THIS INCREASE IN INTEREST RATES FOLLOWS A SIMILAR INCREASE BY SOME 11 MONTHS (MEXICO 4399), AND WAS DESIGNED TO PREVENT OUTFLOW OF SHORT-TERM CAPITAL. WHILE THERE WAS GENERAL

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CONSENSUS THAT THIS MOVE BY CENTRAL BANK WAS NECESSARY (AND

PERHAPS OVERDUE), THERE HAS BEEN SOME CRITICISM THAT INTEREST
RATE INCREASES WERE TOO MODEST IN VIEW RISING INTEREST RATES
ABROAD. E.G. NEW YORK, AND LONDON EURODOLLAR MARKET.
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Message Attributes

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